

Bank failures may surpass 1983 total but could ease

WASHINGTON (AP) — Despite the good economic times, bank regulators are projecting that the number of bank failures this year almost certainly will surpass the 48 recorded in all of last year, which was the most since 1939.

Still, the regulators are expecting the failure rate — 43 so far this year — to ease somewhat in the remainder of the year.

"There should be some improvement in the numbers in the second half of the year, but I really don't know how dramatic it will be," said William Isaac, chairman of the Federal Deposit Insurance Corp., which insures deposits to \$100,000 in about 14,800 banks.

In a recent interview, he declined to predict how many banks would fail this year, saying only that agency officials expected the number to surpass 55.

Looking ahead, he said, "our early forecast calls for failures to still be significant next year — less than this year but more than we have been used to in recent decades by a good measure."

There were 42 failures in 1982, well ahead of the 10 reported in each of the previous three years.

Isaac doesn't expect that anytime soon the failure rate will slide down to the earlier level.

Even at the higher rate, he noted that failed banks represent only a small proportion of the total banks guaranteed by the \$16 billion insurance fund.

"The FDIC is able to cope with them and has coped with

them very well, I think," he said. "They have been handled in an orderly way with a minimum of disruption."

No depositor has ever lost money in an account at a bank or savings and loan association that was backed by one of the federal insurance agencies.

In addition to the failures, about 690 banks are under close government monitoring because of problems. There were 642 on the troubled list at the end of last year.

Isaac has pinned most of the blame for the shaky banks on weakness in the economy. Bankers had to adjust their decision-making first to soaring inflation and then to the lengthy recession.

But he also cited as common factors in bank collapses extremely poor management, fraudulent banking practices and large amounts of brokered deposits.

Moreover, he said, state banking supervisors have shown less patience for bad banks under their control. They are, he said, "probably less tolerant of problem banks today than they may have been years ago."

"When they find a bank is insolvent now," he said, "they react to it, they get it closed down and try to protect the public," he said.

The FDIC is appointed receiver of banks shut down by state or national supervisors. It then tries to shift the failed bank's deposits to another institution, merge it with a stronger partner or, rarely, pay depositors' their money back.

Dale Edwards

Bank Manager Looks Toward Narrowing Growth

Continued expansion will characterize Utah's economy in the second half of 1984, but growth rates are expected to narrow, according to Dale W. Edwards, Vice President and Manager, quoting the First Security Newsletter. The quarterly report is edited by Dr. Kelly K. Matthews, senior vice president and economist for First Security Corporation, financial services firm.

Total personal income in Utah in the first quarter of 1984 was up 10.7 percent, compared with a 7.4 percent gain in the fourth quarter of 1983. Average individual weekly earnings in May were up 5.8 percent, while total wages in 1984 are expected to increase 9 percent.

The retail, manufacturing and service sectors will continue to achieve significant gains in employment and sales. An expected \$65 million state revenue surplus testifies to the growth in business activity over the past several months. The mining and energy sectors of Utah's economy, however, face depressed prices and international surpluses of many commodities.

Throughout the second quarter of 1984, nonagricultural employment exceeded year-earlier levels by more than 33,000 jobs. Nonagricultural employment in June was 597,500, an increase of 33,200 jobs, or 5.9 percent above last year. Major employment gains were recorded in the following industries: Contract construction, +5,100; manufacturing, +9,400; trade +7,900; and services, +6,900.

In early July Kennecott Corp. laid off 1,800 employees, and a few days later, U.S. Steel's Geneva Works announced that 100 steelworkers would lose their jobs. The immediate impact of these layoffs on Utah's economy will be most clearly evident in a flattening of the seasonally adjusted employment totals in the third quarter.

The unemployment rate in Utah is expected to vary between 5.5-5.8 percent in the second half of 1984. In June the jobless rate dropped to 5.6 percent, a

construction activity in the Salt Lake area over the next two years is excellent. Triad Utah has announced plans for a 43-story office tower and a 600-room Hyatt Hotel. Zions Securities Corporation intends to construct a 22-story office and retail complex called the "Eagle Gate Plaza," while Lincoln Property Company has announced plans to construct a 45-story office building in the redevelopment of Block 57.

The impact of higher mortgage rates will slow residential construction activity in the second half of 1984. The use of adjustable-rate mortgage instruments, currently with first-year rates near 11 percent, as compared with 15 percent on a fixed rate mortgage, has softened the impact of higher interest rates. Residential real-estate-unit sales in the Salt Lake area jumped 53 percent in June and were up 22 percent for the first six months of 1984.

Consumer spending and retail activity are expected to remain strong components of the Utah economy in the second half of 1984. Rising employment and higher incomes continue to buoy borrowing and buying decisions.

Gross taxable sales in the first quarter of 1984 jumped an amazing 19 percent. Transient room tax collections in the first quarter were 15.2 percent. This, along with a 16.7 percent gain in May in airline passengers at the Salt Lake International Airport, points to the possibility in 1984 of Utah reaching a \$1-billion tourism year.

Notwithstanding high interest rates, vigorous U.S. economic growth will likely persist in the second half of 1984. Duplication of real growth rates recorded in the first quarter (+10.1%) and in the second quarter (+7.5%) is, however, neither reasonable or desirable. The Real GNP outlook for the second half of 1984 suggests growth rates of 4 - 5 percent.

Continued consumer-sector strength will fuel the economic engine in the months ahead.

Surveys reporting high consumer confidence were validated by a record \$10.2 billion consumer credit surge in May and a June retail sales volume 10.5 percent above a year ago.

In May and June, economic growth created 1.3 million new jobs, thus driving June's national unemployment rate down to 7.1 percent. By midyear the capacity utilization rate approached 82 percent, suggesting that additional production gains will be augmented with business spending for new plant and equipment.

With the economy growing at such an extraordinarily rapid pace in the second year of economic recovery, many financial-market participants fear an inflationary resurgence. Repeatedly in the past, overly stimulative economic policies have generated excess demand which outstripped economic productive capacity and resulted in rising prices.

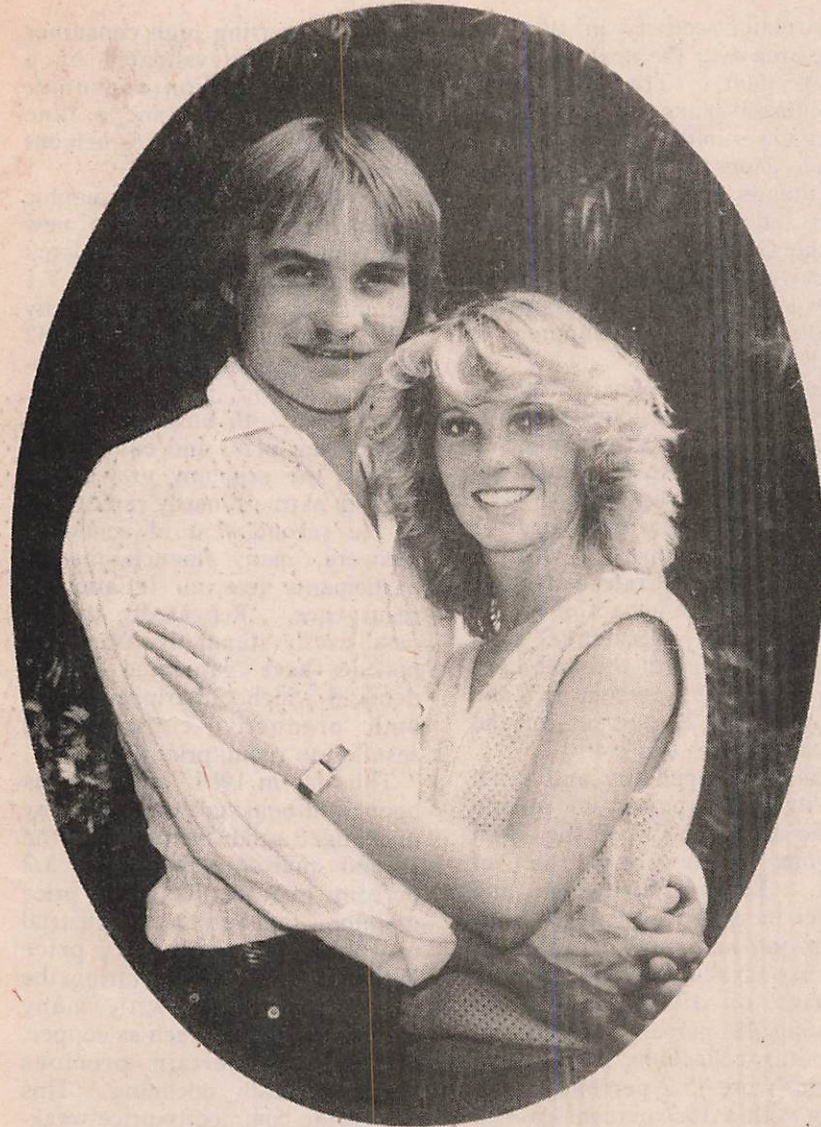
Thus far in 1984, inflation has been well-behaved, evidenced by unchanged producer prices in the second quarter and a mere 3.2 percent rise in the GNP price deflator. Furthermore, industrial raw material commodity price indices have been flat during the past six months, with many commodity prices, such as copper, lumber and certain precious metals, actually declining. This worldwide commodity-price weakness and hourly-wage increases remaining less than 4 percent, suggests rates of inflation near 4 percent in the second half of 1984, and 5 - 6 percent throughout most of 1985.

Short-term interest rates, following significant second-quarter increases, are expected to rise an additional one percentage point in the months ahead. By mid-July the prime lending rate was 13 percent; the 90-day Treasury Bill was 10.4 percent; and rates on large Certificates of Deposit were 11.50 percent. In each case, these interest rates had jumped two full percentage points since the first quarter of 1984 -- a source of deep concern to financial-market participants.

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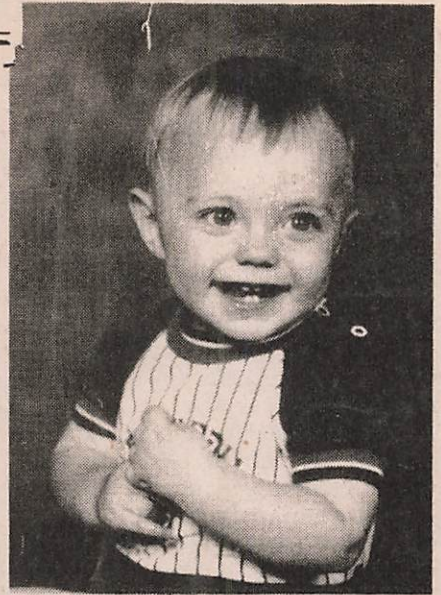
Bryan D. Jordan and JillLynn Holladay

Holladay - Jordan

Mr. and Mrs. Brent Holladay are pleased to announce the marriage of their daughter, Jill Lynn, to Bryan Dean Jordan, son of Sharon Jordan and the late Allen Jordan, on Thursday, August 9, 1984. A garden wedding and reception will be held at the home of Sharon Jordan, 1075 East Johnson Mill Road, Midway, UT. from 6:00 p.m. to 8:00 p.m. In case of inclement weather the reception will be held at the Wasatch Mt. State Park Visitors Center.

All friends and relatives are invited to attend the reception.

Open House to be Held



Nathanael McDonald

Alexandra Davis

My name is Alexandra Davis. I celebrated my first birthday July 6th, 1984. My parents are Ace and Wendy Davis of Roosevelt. I have two brothers, Toby and Dustin.

My grandparents are Glade and Alda Davis, Midway, Utah; and Florence Johnson of Roosevelt, Utah.

8.2 percent prevailing a year ago. Nevertheless, there are still 43,400 unemployed people in Utah. Despite rising mortgage rates, building permit construction in Utah remained surprisingly strong in the second quarter. During the first five months of 1984, residential building permits were issued for 6,144 dwelling units, a gain of 24 percent above the previous year. The value of residential construction cumulative through May was \$297 million (+32%); the value of nonresidential construction was \$179 million (+63%); and total construction value at \$549 million was up 46 percent. The outlook for commercial

Building in Wasatch County is on the Rise

Wave 10 May 1984

EDITOR'S NOTE: This is the second in a two part series which studies the construction of new homes in the county. This portion deals with amounts of monies which have been issued out.

HEBER CITY—According to the building inspectors office, and a number of real estate agencies, there is a definite upswing in the construction business. Yet, how are people financing these new purchases?

In talking with the banks of Heber City, they were generally in agreement that there had been a large number of inquiries into the housing market, but few of those interested were enticed by the percentage rates being offered.

Dennis Dunn of Intermountain Thrift and Loan, said that, "The average price of a house, and the average income don't match."

Jean Winterton, Chief Mortgage Officer at Zion's Bank stated, "Salary's just aren't high enough." Ms. Winterton also said that though the interest rates have been down, they are increasing slightly.

Dunn stated that there are

plenty of inquiries, and there are a number of ways to finance a home. He stated that there are some mortgage companies which will offer great deals, only to have the payments jump a year, or five years time. He suggests that those who are seeking home loans, talk first to a qualified person, like one of the several banks in town, and then go from there to alternative financing.

State and Federal monies seemed to be another sure loan practice. Many of the new houses going up are from this source of monies. Dunn stated that many of the people are trying to build rather than buy an existing home on the market.

On such incident finds a family, who asked they not be identified. applied at a local bank. They were told that they would not be able to afford a house and the payments would be too high.

The banker told them to try Farmer Home Administration. The FmHA provides subsidized home loans to families who make lower incomes. They provide loans to anyone. No discrimination of

any kind. They provide both single parents, divorced, and individuals with loans for homes.

Since October of 1983, the administration has issued a total of 8 new construction loans, one purchased an existing home, and 3 transfers of assumption loans. The administration has loaned \$4,008,100 for housing, and have 3 assumptions.

According to Bernice Warner, of FmHA, this program is for those who, "...could not get financing from any other lender.

"They do have to have a repayable ability," Ms. Warner said. "They have to have good credit references."

The FmHA serves Wasatch, Summit and Morgan counties.

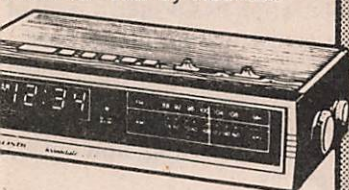
Other methods for financing homes is the assumption of existing mortgages. According to local real estate agencies, there is a lot of trading on the market presently. The home owner selling will finance the buyer, by letting the buyer purchase the equity in a home, and then assuming payments.

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